

**ASSEMBLY BILL**

**No. 1289**

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**Introduced by Assembly Member Price**

February 23, 2007

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An act to amend Section 19604 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 1289, as introduced, Price. Advance deposit wagering: out-of-state providers.

Existing law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board. Under existing law, advance deposit wagering is defined as a form of parimutuel wagering in which a person residing within California or outside of the state establishes an account with a licensee, board-approved betting system, or multijurisdictional wagering hub located within California or outside of the state.

This bill would remove from that definition, and from all provisions related to the authorization of advance deposit wagering, the reference to a multijurisdictional wagering hub located outside of the state.

Under existing law, in order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it must meet certain requirements.

This bill would add to those requirements that the employees who operate and administer the advance deposit wagering on a daily basis shall work in California.

Under existing law, the provisions relating to advance deposit wagering will be repealed on January 1, 2008.

This bill would delay the repeal date until January 1, 2011.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 19604 of the Business and Professions  
2     Code is amended to read:  
3     19604. Notwithstanding any other provision of law, in addition  
4     to parimutuel wagering otherwise authorized by this chapter,  
5     advance deposit wagering may be conducted upon approval of the  
6     board. The board may authorize any racing association or fair,  
7     during the calendar period it is licensed by the board to conduct a  
8     live racing meeting in accordance with the provisions of Article  
9     4 (commencing with Section 19480), to accept advance deposit  
10    wagers or to allow these wagers through a betting system or a  
11    multijurisdictional wagering hub in accordance with the following:  
12    (a) Racing associations and racing fairs may form a partnership,  
13    joint venture, or any other affiliation in order to further the purposes  
14    of this section.  
15    (b) As used in this section, “advance deposit wagering” means  
16    a form of parimutuel wagering in which a person residing within  
17    California or outside of this state establishes an account with a  
18    licensee, a board-approved betting system, or a board-approved  
19    multijurisdictional wagering hub located within California—~~or~~  
20    ~~outside of this state~~, and subsequently issues wagering instructions  
21    concerning the funds in this account, thereby authorizing the entity  
22    holding the account to place wagers on the account owner’s behalf.  
23    An advance deposit wager may be made only by the entity holding  
24    the account pursuant to wagering instructions issued by the owner  
25    of the funds communicated by telephone call or through other  
26    electronic media. The licensee, a betting system, or a  
27    multijurisdictional wagering hub shall ensure the identification of  
28    the account’s owner by utilizing methods and technologies  
29    approved by the board. Further, at the request of the board, any  
30    licensee, betting system, or multijurisdictional wagering hub  
31    located in California, ~~and any betting system or multijurisdictional~~  
32    ~~wagering hub located outside of this state that accepts wagering~~  
33    ~~instructions concerning races conducted in California or accepts~~  
34    ~~wagering instructions from California residents~~, shall provide a  
35    full accounting and verification of the source of the wagers thereby

made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board. Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, ~~whether located within California or outside of this state~~, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section, “market access fee” means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, “licensee” means any racing association or fair, or affiliation thereof authorized in subdivision (a).

(c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.

(2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs

1 to establish security access policies and safeguards, including, but  
2 not limited to, the following:

3 (A) The betting system or wagering hub shall utilize the services  
4 of a board-approved independent third party to perform identity,  
5 residence, and age verification services with respect to persons  
6 establishing an advance deposit wagering account.

7 (B) The betting system or wagering hub shall utilize personal  
8 identification numbers (PINs) and other technologies to assure  
9 that only the accountholder has access to the advance deposit  
10 wagering account.

11 (C) The betting system or wagering hub shall provide for  
12 withdrawals from the wagering account only by means of a check  
13 made payable to the accountholder and sent to the address of the  
14 accountholder or by means of an electronic transfer to an account  
15 held by the verified accountholder or the accountholder may  
16 withdraw funds from the wagering account at a facility approved  
17 by the board by presenting verifiable personal and account  
18 identification information.

19 (D) The betting system or wagering hub shall allow the board  
20 access to its premises to visit, investigate, and place expert  
21 accountants and other persons it deems necessary for the purpose  
22 of ensuring that its rules and regulations concerning credit  
23 authorization, account access, and other security provisions are  
24 strictly complied with.

25 (3) The board shall prohibit advance deposit wagering  
26 advertising that it determines to be deceptive to the public. The  
27 board shall also require, by regulation, that every form of  
28 advertising contain a statement that minors are not allowed to open  
29 or have access to advance deposit wagering accounts.

30 (d) As used in this section, a “multijurisdictional wagering hub”  
31 is a business conducted in more than one jurisdiction that facilitates  
32 parimutuel wagering on races it simulcasts and other races it offers  
33 in its wagering menu.

34 (e) As used in this section, a “betting system” is a business  
35 conducted exclusively in this state that facilitates parimutuel  
36 wagering on races it simulcasts and other races it offers in its  
37 wagering menu.

38 (f) In order for a licensee, betting system, or multijurisdictional  
39 wagering hub to be approved by the board to conduct advance

1 deposit wagering, it shall meet~~both~~ *all* of the following  
2 requirements:

3 (1) All wagers thereby made shall be included in the appropriate  
4 parimutuel pool of the host racing association or fair under a  
5 contractual agreement with the applicable California licensee, in  
6 accordance with the provisions of this chapter.

7 (2) The amounts deducted from advance deposit wagers shall  
8 be in accordance with the provisions of this chapter.

9 (3) *The employees who operate and administer the advance*  
10 *deposit wagering on a daily basis shall work in California.*

11 (g) The amount received as a market access fee from advance  
12 deposit wagers, which shall not be considered for purposes of  
13 Section 19616.51, shall be distributed as follows:

14 (1) An amount equal to 0.0011 multiplied by the amount handled  
15 on advance deposit wagers originating in California for each racing  
16 meeting shall be distributed to the Center for Equine Health to  
17 establish the Kenneth L. Maddy Fund for the benefit of the School  
18 of Veterinary Medicine at the University of California at Davis.

19 (2) An amount equal to 0.0003 multiplied by the amount handled  
20 on advance deposit wagers originating in California for each racing  
21 meeting shall be distributed to the Department of Industrial  
22 Relations to cover costs associated with audits conducted pursuant  
23 to Section 19526 and for the purposes of reimbursing the State  
24 Mediation and Conciliation Service for costs incurred pursuant to  
25 this bill. However, if that amount would exceed the costs of the  
26 Department of Industrial Relations, the amount distributed to the  
27 department shall be reduced, and that reduction shall be forwarded  
28 to an organization designated by the racing association or fair  
29 described in subdivision (a) for the purpose of augmenting a  
30 compulsive gambling prevention program specifically addressing  
31 that problem.

32 (3) An amount equal to 0.00165 multiplied by the amount  
33 handled on advance deposit wagers that originate in California for  
34 each racing meeting shall be distributed as follows:

35 (A) One-half of the amount shall be distributed to supplement  
36 the trainer-administered pension plans for backstretch personnel  
37 established pursuant to Section 19613. Moneys distributed pursuant  
38 to this subparagraph shall supplement, and not supplant, moneys  
39 distributed to that fund pursuant to Section 19613 or any other  
40 provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

(5) With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions,

1 to horsemen participating in that racing meeting in the form of  
2 purses, and as incentive awards, in the same relative proportion  
3 as they were generated or earned during the prior calendar year at  
4 that racing association or fair on races conducted or imported by  
5 that racing association or fair after making all deductions required  
6 by applicable law. Purse funds generated pursuant to this section  
7 may be utilized to pay 50 percent of the total costs and fees  
8 incurred due to the implementation of advance deposit wagering.  
9 “Incentive awards” shall be those payments provided for in  
10 Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The  
11 amount determined to be payable for incentive awards shall be  
12 payable to the applicable official registering agency and thereafter  
13 distributed as provided in this chapter. If the provisions of Section  
14 19601.2 apply, then the amount distributed to the applicable racing  
15 associations or fairs from advance deposit wagering shall first be  
16 divided between those racing associations or fairs in direct  
17 proportion to the total amount wagered in the applicable zone on  
18 the live races conducted by the respective association or fair.  
19 Notwithstanding this requirement, when the provisions of  
20 subdivision (b) of Section 19607.5 apply to the 2nd District  
21 Agricultural Association in Stockton or the California Exposition  
22 and State Fair in Sacramento, then the total amount distributed to  
23 the applicable racing associations or fairs shall first be divided  
24 equally, with 50 percent distributed to applicable fairs and 50  
25 percent distributed to applicable associations. For purposes of this  
26 subdivision, the zones of the state shall be as defined in Section  
27 19530.5, except as modified by the provisions of subdivision (f)  
28 of Section 19601, and the combined central and southern zones  
29 shall be considered one zone.

30 Notwithstanding any provision of this section to the contrary,  
31 the distribution of the market access fee, other than the distributions  
32 specified in paragraph (1) or (2), may be altered upon the approval  
33 of the board, in accordance with an agreement signed by all parties  
34 receiving a distribution under paragraphs (4) and (5).

35 (h) Notwithstanding any provisions of this section to the  
36 contrary, all funds derived from advance deposit wagering that  
37 originate from California for each racing meeting on out-of-state  
38 and out-of-country thoroughbred races conducted after 6 p.m.,  
39 Pacific time, shall be distributed in accordance with this  
40 subdivision. With respect to these wagers, 50 percent of the amount

1 remaining after the payment of contractual obligations to the  
2 multijurisdictional wagering hub, betting system, or licensee and  
3 the amounts set forth in paragraphs (1) through (5), inclusive, of  
4 subdivision (g) shall be distributed as commissions to thoroughbred  
5 associations and racing fairs, as thoroughbred and fair purses, and  
6 as incentive awards in accordance with subdivision (g), and the  
7 remaining 50 percent, together with all funds derived for each  
8 racing meeting from advance deposit wagering originating from  
9 California out-of-state and out-of-country harness and quarter  
10 horse races conducted after 6 p.m., Pacific time, shall be distributed  
11 as commissions on a pro rata basis to the applicable licensed  
12 quarter horse association and the applicable licensed harness  
13 association, based upon the amount handled instate, both on- and  
14 off-track, on each breed's own live races in the previous year by  
15 that association, or its predecessor association. One-half of the  
16 amount thereby received by each association shall be retained by  
17 that association as a commission, and the other half of the money  
18 received shall be distributed as purses to the horsemen participating  
19 in its current or next scheduled licensed racing meeting.

20 (i) Notwithstanding any provisions of this section to the contrary,  
21 all funds derived from advance deposit wagering which originate  
22 from California for each racing meeting on out-of-state and  
23 out-of-country nonthoroughbred races conducted before 6 p.m.,  
24 Pacific time, shall be distributed in accordance with this  
25 subdivision. With respect to these wagers, 50 percent of the amount  
26 remaining after the payment of contractual obligations to the  
27 multijurisdictional wagering hub, betting system, or licensee and  
28 the amounts set forth in paragraphs (1) through (5), inclusive, of  
29 subdivision (g) shall be distributed as commissions as provided in  
30 subdivision (h) for licensed quarter horse and harness associations,  
31 and the remaining 50 percent shall be distributed as commissions  
32 to the applicable thoroughbred associations or fairs, as  
33 thoroughbred and fair purses, and as incentive awards in  
34 accordance with subdivision (g).

35 (j) A racing association, a fair, or a satellite wagering facility  
36 may accept and facilitate the placement of any wager from a patron  
37 at its facility that a California resident could make through a betting  
38 system or multijurisdictional wagering hub duly offering advance  
39 deposit wagering in this state, and the facility accepting the wager



1 shall receive a 2-percent commission on that wager in lieu of any  
2 distribution for satellite commissions pursuant to subdivision (g).

3 (k) Any disputes concerning the interpretation or application of  
4 this section shall be resolved by the board.

5 This section shall remain in effect only until January 1, ~~2008~~  
6 *2011*, and as of that date is repealed, unless a later enacted statute,  
7 that is enacted before January 1, ~~2008~~ *2011*, deletes or extends  
8 that date.

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